

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021-090

DATE: November 29, 2021

SUBJECT: Alberta Risk Sharing Pools – October 2021 Operational Report

A copy of this bulletin should be provided to your Chief Financial Officer and Appointed Actuary.

Please be advised that the October 2021 Alberta Risk Sharing Pools Operational Reports are available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

Highlights

- (a) The ***Alberta Grid October 2021 premium written for the month was \$22 million***, higher than prior year by \$4 million;
- (b) The ***Alberta Non-Grid October 2021 premium written for the month was \$15 million***, higher than prior year by \$4 million;
- (c) The ***Alberta Grid 2021 year-to-date net operating surplus was \$38 million***, with the \$0.5 million in deficit generated in October, resulting in a COR of 77.0% on earned premium of \$164 million;
- (d) The ***Alberta Non-Grid 2021 year-to-date net operating deficit was \$2 million***, with \$3.6 million of the deficit generated in October, resulting in a COR of 101.8% on earned premium of \$113 million; and
- (e) For **Alberta Grid**, the implementation of the **2021 Q3 valuation** generated a **\$1.8 million favourable impact**, reducing the month COR by 9.7 percentage points; and for **Alberta Non-Grid**, the implementation generated a **\$1.2 million favourable impact**, reducing the month COR by 9.0 percentage points.

Alberta Grid RSP - Summary of Financial Results

AB-G RSP Summary of Financial Results

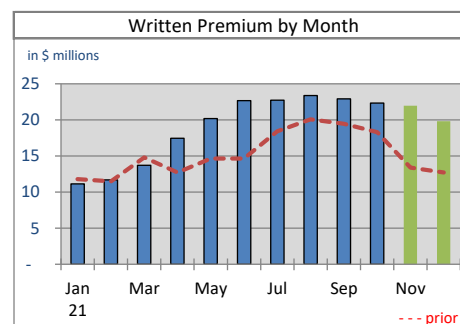
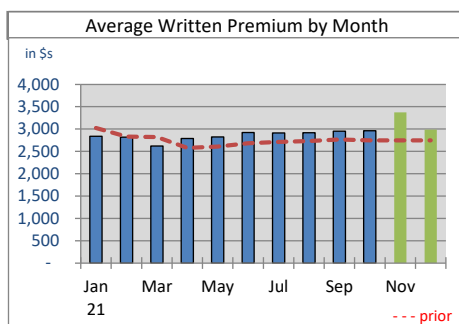
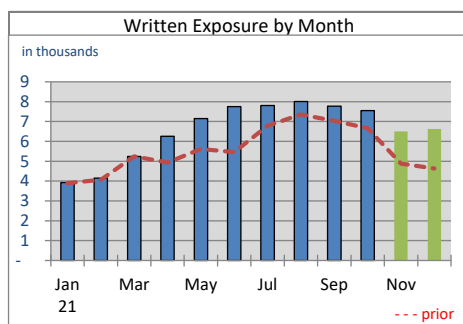
AB Grid RSP 2021 Summary Amounts in \$000s	Actual (October 2021)	Projection (October 2021)	Prior Year (October 2020)	2021 year-to-date as at 10 months	2020 year-to-date as at 10 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	22,342	25,222	18,296	188,236	156,338	230,001	226,211
Premium Earned	18,500	20,487	16,574	163,905	164,214	200,999	215,472
Incurred Losses	11,075	14,223	3,974	76,560	113,129	101,556	175,122
Underwriting & Admin Expense	7,902	9,358	2,338	49,648	35,854	67,045	72,927
Expense allowance	6,770	7,643	5,563	57,034	47,529	69,689	68,768
Premium Deficiency / (DPAC)	994	1,543	(3,397)	(8,414)	(12,745)	(3,924)	2,667
Administrative Expenses	138	172	172	1,028	1,071	1,280	1,492
Net Result from Operations	(477)	(3,089)	10,262	37,697	15,231	32,398	(32,577)
Ratios:							
Loss ratio - Prior Accident Years	(1.9%)	(2.1%)	9.5%	(24.5%)	(8.3%)	(20.5%)	(4.6%)
- Current Accident Year	61.8%	71.5%	14.5%	71.2%	77.2%	71.0%	85.9%
Total	59.9%	69.4%	24.0%	46.7%	68.9%	50.5%	81.3%
Underwriting & Admin Expense	42.7%	45.7%	14.1%	30.3%	21.8%	33.4%	33.8%
Combined Operating Ratio	102.6%	115.1%	38.1%	77.0%	90.7%	83.9%	115.1%

rounding differences may occur

*as posted to FA's website Nov. 18, 2020

Premium (Alberta Grid RSP)

The premium drivers compared to prior year and outlook to year end are:



October's vehicle count transfer was 7,550 vehicles, representing a 13.3% increase compared with prior year, and counts were up 15.0% year-to-date. The projection anticipated an increase of 1,547 vehicles, however actual came in 661 lower than projected, driven primarily by two member company group transferring lower than their projection.

Average premium was slightly above prior year. Premium written was also above prior year while below projection primarily driven by the change in vehicle counts transferred to the pool.

Incurred Losses (Alberta Grid RSP)

Incurred losses in October 2021 were \$11.1 million, \$3.1 million lower than our projection from last month, and \$7.1 million higher compared with the same month from last year. The variance from projection was largely driven by the 2021 Q3 valuation being implemented in the month, generating a favourable impact of \$1.3 million on the month and year-to-date losses. This impact is mainly driven by the Current Accident Year favourable claims development driven by lower than expected claims costs on physical damage coverages year to date, particularly for the most recent quarter.

AB-G RSP Summary of 2021 Q3 Valuation Implementation Impact

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s) month/ytd	Impact on COR (%) as month EP	Impact on COR (%) as ytd EP	Impact on Operating Results (\$000s) full year	Impact on COR (%) as full year EP
Alberta Grid					
PAYs (2020 & prior)	406	2.2%	0.2%	477	0.2%
CAY (2021)	(1,746)	(9.4%)	(1.1%)	(2,092)	(1.0%)
PAYs & CAY	(1,340)	(7.2%)	(0.9%)	(1,615)	(0.8%)
Premium Deficiency / (DPAC)	(453)	(2.4%)	(0.3%)	(162)	(0.1%)
Total	(1,793)	(9.7%)	(1.1%)	(1,777)	(0.9%)

Reported losses in October 2021 were \$1.1 million lower than projected. The Current Accident Year had a \$1.0 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$0.1 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Losses year to date continue to be below prior year in line with the impact of the pandemic on the economy.

Underwriting and Admin Expenses (Alberta Grid RSP)

Expenses for October 2021 include,

- Expense Allowance: \$6.8 million for October 2021 compared to projection at \$7.6 million and prior year at \$5.6 million. The allowance is approximately 30% of written premium. Decrease from projection are consistent with decrease in written premium.
- Premium deficiency / (DPAC): Premium Deficiency of \$1.0 million for October 2021 compared to projection with \$1.5 million and prior year DPAC at \$3.4 million.
- Administrative Expense: \$0.1 million for October 2021, consistent with projection and prior year.

Expense ratios for the month and year-to-date were higher than prior year primarily due to the increase in expense allowance driven by written premium increase.

Projection to year-end 2021 (Alberta Grid RSP)

Compared with the Outlook released in November 2020, written premium has increased by \$3.8 million to \$230.0 million primarily driven by the increase in premium year to date as well as the updated premium projections received from the main users of the Alberta Grid Risk Sharing Pool. However, projected earned premium is reduced by \$14.5 million to \$201.0 million due to the decrease in prior year written premium.

The updated year-end 2021 operating surplus is now \$32.4 million and the combined operating ratio is 83.9%. The improvement of \$65.0 million in operating result and 31.2 percentage points in combined operating ratio compared with 2021 Outlook reflects the reduction in policy liability as a result of the updated COVID-19 assumption with reduced loss ratios.

Alberta Non-Grid RSP - Summary of Financial Results

AB-N RSP Summary of Financial Results

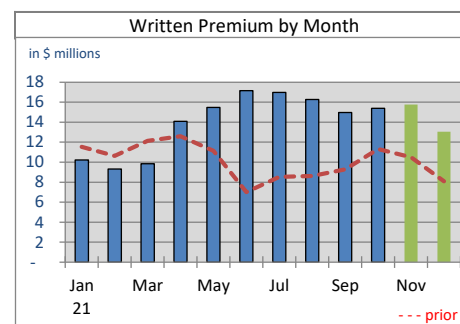
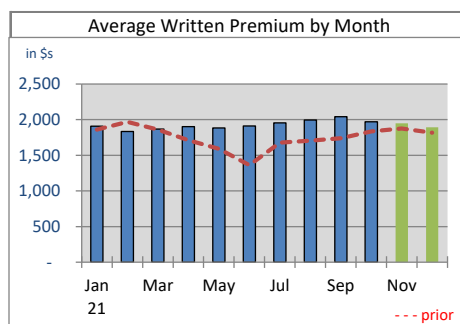
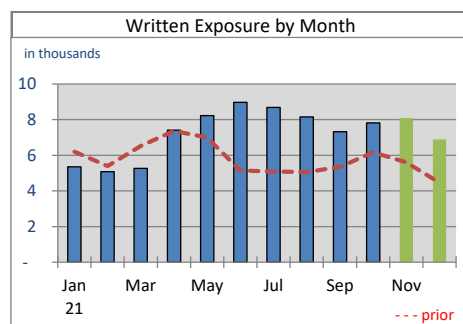
AB Non-Grid RSP 2021 Summary Amounts in \$000s	Actual (October 2021)	Projection (October 2021)	Prior Year (October 2020)	2021 year-to-date as at 10 months	2020 year-to-date as at 10 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	15,388	16,033	11,320	139,655	102,800	168,454	158,767
Premium Earned	13,174	13,025	10,344	113,061	103,501	139,861	161,091
Incurred Losses	10,204	11,065	8,811	74,007	104,541	96,668	164,159
Underwriting & Admin Expense	6,534	7,017	1,745	41,205	26,944	55,053	52,728
Expense allowance	4,663	4,858	3,441	42,313	31,248	51,040	48,265
Premium Deficiency / (DPAC)	1,733	1,996	(1,868)	(2,140)	(5,384)	2,698	2,842
Administrative Expenses	138	163	172	1,032	1,080	1,315	1,621
Net Result from Operations	(3,564)	(5,057)	(212)	(2,151)	(27,984)	(11,860)	(55,796)
Ratios:							
Loss ratio - Prior Accident Years	(1.6%)	(2.5%)	(2.6%)	(21.7%)	(4.5%)	(18.0%)	(3.6%)
- Current Accident Year	79.0%	87.4%	87.7%	87.1%	105.5%	87.1%	105.5%
Total	77.4%	84.9%	85.1%	65.4%	101.0%	69.1%	101.9%
Underwriting & Admin Expense	49.6%	53.9%	16.9%	36.4%	26.0%	39.4%	32.7%
Combined Operating Ratio	127.0%	138.8%	102.0%	101.8%	127.0%	108.5%	134.6%

rounding differences may occur

*as posted to FA's website Nov. 18, 2020

Premium (Alberta Non-Grid RSP)

The premium drivers compared to prior year and outlook to year end are:



October's vehicle count transfer was 7,814 vehicles, representing a 26.6% increase compared with prior year, and year-to-date counts were up 21.9%. The projection for October from prior month anticipated an increase of 1,872 vehicles, however actual came in 228 lower than projected, driven primarily by three member company groups transferring higher than their projections.

Average premium in October showed an increase compared with prior year. Premium written was also above prior year and projection, primarily driven by the increase in vehicles transferred to the pool.

Incurred Losses (Alberta Non-Grid RSP)

Incurred losses in October 2021 were \$10.2 million, \$0.9 million lower than our projection from last month, and \$1.4 million higher compared with the same month from last year. The variance from projection was driven by the 2021 Q3 valuation being implemented in the month, generating a favourable impact of \$0.9 million on the month and year-to-date losses. This impact is mainly driven by the Current Accident Year favourable claims development driven by lower than expected claims costs on physical damage coverages year to date, particularly for the most recent quarter.

AB-G RSP Summary of 2021 Q3 Valuation Implementation Impact

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s) month/ytd	Impact on COR (%) as month EP	Impact on COR (%) as ytd EP	Impact on Operating Results (\$000s) full year	Impact on COR (%) as full year EP
Alberta non-Grid					
PAYs (2020 & prior)	143	1.1%	0.1%	153	0.1%
CAY (2021)	(1,056)	(8.0%)	(0.9%)	(1,280)	(0.9%)
PAYs & CAY	(913)	(6.9%)	(0.8%)	(1,127)	(0.8%)
Premium Deficiency / (DPAC)	(272)	(2.1%)	(0.2%)	(92)	(0.1%)
Total	(1,185)	(9.0%)	(1.0%)	(1,219)	(0.9%)

Reported losses in October 2021 were \$1.9 million higher than projected. The Current Accident Year had a \$1.2 million unfavourable variance in reported losses, and the Prior Accident Years had an approximately \$0.7 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Losses year to date continue to be below prior year, in line with the impact of the pandemic on the economy.

Underwriting and Admin Expenses (Alberta Non-Grid RSP)

Expenses for October 2021 include,

- Expense Allowances: \$4.7 million for October 2021 compared to projection at \$4.9 million and prior year at \$3.4 million. The allowance is approximately 30% of written premium. Increases from projection and prior year are consistent with increases in written premium.
- Premium Deficiency / (DPAC): Premium Deficiency of \$1.7 million compared to projected \$2.0 million and prior year DPAC of \$1.9 million.
- Administrative Expense: \$0.1 million for October 2021, fairly consistent with projection and prior year.

Expense ratio for the month and year-to-date were higher than prior year primarily due to the increase in expense allowance driven by written premium increase.

Projection to year-end 2021 (Alberta Non-Grid RSP)

Compared with the Outlook released in November 2020, written premium has increased by \$9.7 million to \$168.5 million primarily driven by the increase in premium year to date as well as the updated premium projections received from the main users of the Alberta Non-Grid Risk Sharing Pool. However, projected earned premium is reduced by \$21.2 million to \$139.7 million due to the decrease in prior year written premium.

The updated year-end 2021 operating deficit is now \$11.9 million and the combined operating ratio is 108.5%. The improvement of \$43.9 million in operating result and 26.1 percentage points in combined operating ratio compared with 2021 Outlook reflects the reduction in policy liability as a result of the updated COVID-19 assumption with reduced loss ratios.

Should you require any further information, please call Sheetal Savani, VP Finance, Compliance and CFO at (416) 863-1750 x5626.

Saskia Matheson
President & CEO

Related Links:

Alberta Grid RSP:

[Alberta Grid RSP Summary of Operations - Calendar Year 2021](#)

* 10 months ended October 2021 (discounted basis)

[Alberta Grid RSP August 2021 Operational Report – Actuarial Highlights](#)

*For additional details on Actual vs Projected variances, IBNR, and valuation (if applicable)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP Summary of Operations - Calendar Year 2021](#)

*10 months ended October 2021 (discounted basis)

[Alberta Non-Grid RSP August 2021 Operational Report – Actuarial Highlights](#)

*For additional details on Actual vs Projected variances, IBNR, and valuation (if applicable)